

MERIDIAN PUBLIC SCHOOLS

SANFORD, MICHIGAN

AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2008

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Lewis & Knopf CPAs, P.C.

Serving You with Trust and Integrity

September 15, 2008

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Meridian Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Meridian Public Schools, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Meridian Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Meridian Public Schools as of June 30, 2008, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated September 15, 2008 on our consideration of the Meridian Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis information on pages II - VIII, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Meridian Public Schools' basic financial statements. The additional information on pages 19 - 32 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf P.C.
LEWIS & KNOPE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

MERIDIAN PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Meridian Public Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2008.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

MERIDIAN PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

District Wide Financial Statements: (Continued)

These two statements report the Meridian Public Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary for its student activity funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
ASSETS		
Current Assets	\$11,249,944	\$19,957,443
Non-Current Assets	<u>24,393,568</u>	<u>14,750,756</u>
<u>TOTAL ASSETS</u>	<u>\$35,643,512</u>	<u>\$34,708,199</u>
<u>LIABILITIES</u>		
Current Liabilities	\$5,015,511	\$3,943,657
Long-Term Liabilities	<u>23,752,348</u>	<u>24,235,705</u>
Total Liabilities	\$28,767,859	\$28,179,362
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	6,458,543	5,977,326
Restricted - Debt Service	845,423	751,379
Unrestricted	<u>(428,313)</u>	<u>(199,868)</u>
Total Net Assets	<u>\$6,875,653</u>	<u>\$6,528,837</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$35,643,512</u>	<u>\$34,708,199</u>

MERIDIAN PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2008 and 2007, the District wide results of operations were:

	<u>2008</u>	<u>2007</u>
REVENUES		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$1,333,522	\$1,289,875
Property Taxes Levied for Debt Service	1,535,280	1,535,944
State of Michigan Unrestricted Foundation Aid	8,419,207	8,844,870
Other General Revenues	<u>1,062,007</u>	<u>350,984</u>
Total General Revenues	\$12,350,016	\$12,021,673
<u>Operating Grants:</u>		
Federal	581,516	593,449
State of Michigan	1,110,551	991,525
Other Operating Grants	<u>681,034</u>	<u>345,058</u>
Total Operating Grants	\$2,373,101	\$1,930,032
Charges for Services:		
Food Service	216,800	211,699
Athletics	40,281	47,136
Other Charges for Services	<u>307,628</u>	<u>364,510</u>
Total Charges for Services	\$564,709	\$623,345
Total Revenues	\$15,287,826	\$14,575,050
EXPENSES		
Instruction & Instructional Support	7,769,204	7,699,529
Support Services	4,671,577	4,686,069
Community Services	309,890	292,173
Food Service	509,480	502,926
Athletics	236,782	250,694
Bond Issuance Costs	0	142,900
Interest on Long-Term Debt	994,774	775,258
Depreciation	<u>449,303</u>	<u>453,799</u>
Total Expenses	\$14,941,010	\$14,803,348
<u>(DECREASE) IN NET ASSETS</u>	\$346,816	(\$228,298)
BEGINNING NET ASSETS	<u>6,528,837</u>	<u>6,757,135</u>
<u>ENDING NET ASSETS</u>	<u>\$6,875,653</u>	<u>\$6,528,837</u>

MERIDIAN PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2008, the District's Total Net Assets increased by \$346,816 to a total of \$6,875,653. The largest portion of the net assets are the districts investment in capital assets. Net assets invested in capital assets net of related debt increased by \$481,217 during the year due to purchases of new capital assets and principal payments on related debt exceeding depreciation. The districts Unrestricted Net Assets decreased by \$228,445 during the year and the restricted portion of the net assets increased by \$94,044. The restricted Net Assets consist of the restricted debt retirement funds and may only be used to pay bonded debt. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The district's overall revenues exceeded its expenses for the year by \$346,816. The total revenues increased by \$712,776 or 5% over last years amounts. The major changes in revenue were primarily due to increases in investment earnings and county special education tax. Expenses increased by \$137,662 or 1% over last year. Major changes were due to increased interest expense.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund decreased by \$228,496 which created a deficit fund balance. The district is working closely with the Michigan Department of Education to adopt a deficit elimination plan and has made staff and fringe benefit reductions to ensure that the deficit is eliminated as of June 30, 2009. Revenues for the year increased by \$268,198 primarily from the sale of the former Perkins Elementary building and county special education tax revenue which became available due to the tax appeal with Midland Cogeneration Venture. The Midland County ESA had originally reserved these funds in the event that the tax appeal was unfavorable but due to a favorable judgment, the ESA was able to disperse these funds to county districts for their use. Other financing uses increased by \$102,661 due to increases in wages and fringe benefits. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
- c. The District's non-homestead tax levy

2. Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Meridian Public Schools foundation allowance was \$7,204 per student for the 2007-2008 school year.

3. Student Enrollment:

The District's student enrollment for the fall count of 2007-2008 was 1,432 students. A decrease of 42 students from the prior year.

MERIDIAN PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2007-2008 fiscal year was \$1,319,680. An increase of \$59,308 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

	Original Budget	Final Budget	Actual	Variance Original & Final Budget %	Variance Actual & Final Budget %
Revenue	\$11,778,748	\$12,765,787	\$12,758,940	8.38	0.05
Expenditures	11,956,675	13,004,954	12,987,436	8.77	0.13
<u>TOTAL</u>	<u>(\$177,927)</u>	<u>(\$239,167)</u>	<u>(\$228,496)</u>		

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Meridian Public Schools amends its budget during the school year. The district budget was amended in December 2007, April 2008 and June 2008.

Original vs. Final Budgets

Revenues

The variance in the amount of the original budget and the final budget for revenues is due to additional revenues from state aid. When the original budget was prepared, the state aid act had not yet been approved and therefore there was no increase in foundation allowance budgeted for. In mid-October when the state aid act was approved, the district received a \$119 per student increase. Also, the district budgeted for a student count of 1400 students and the actual blended count was 1431.77.

Expenditures

The variance in the amount of the original budget and the final budget for expenditures is due to a recalculation of budgeted teacher salaries district-wide as well as an adjustment to prior year tax collection that required repayment by the district.

MERIDIAN PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

ANALYSIS OF BUDGETS: (Continued)

Actual Results vs. Final Budgets

Revenues

The variance in the amount of the final budget and the actual for revenues is due to lower than anticipated rental income and miscellaneous revenue. The variance of .05% is minor in comparison to the budget as a whole.

Expenditures

The variance in the amount of the final budget and the actual for expenditures is due to small variances in many accounts. The variance of .13% is minor in comparison to the budget as a whole.

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-01-07	Increases 6-30-08	Principal Payments 6-30-08	Principal Balance 6-30-08
Bonds Payable	\$24,230,303	\$0	\$460,000	\$23,770,303
Installment Contracts	389,418	278,232	80,588	587,062
Compensated Absences	29,676	0	18,887	10,789
Unpaid Sick Days Payable	126,896	0	32,268	94,628
Total Long-Term Bond Obligations	\$24,776,293	\$278,232	\$591,743	\$24,462,782

The District entered into an installment contract with Chemical Bank on August 20, 2007 in the amount of \$278,232 for the purchase of four seventy-seven passenger buses. The contract requires one annual payments of \$48,232 and five annual payments of \$46,000 plus interest at 4.39% per annum. The contract matures on August 20, 2013. The balance at June 30, 2008 was \$278,232.

B. Capital Assets

The district's net investment in capital assets decreased by \$349,044. This can be summarized as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Capital Assets	\$24,173,333	\$278,172	\$617,950	\$23,833,555
Less: Accumulated Depreciation	(10,434,943)	(726,579)	(518,587)	(10,642,935)
<u>Net Investment Capital Outlay</u>	<u>\$13,738,390</u>	<u>(\$448,407)</u>	<u>\$99,363</u>	<u>\$13,190,620</u>

Significant additions were the purchase of 4 buses.

MERIDIAN PUBLIC SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- * Foundation Allowance
The Board of Education and Administration agreed to an estimate of a foundation allowance of \$ 7,314 per pupil in June 2008 when the budget was originally adopted. The actual per pupil foundation allowance that was approved in the state aid act was \$7,316.
- * Student Count
Administration based the 2008-09 budget expecting 1400 students which would be a decrease of almost 32 students in the blended membership count. This forecasted decrease appears reasonable based on county birthrates, current enrollment and community factors.
- * Retirement Rates
The continuing cost of health insurance to current and potential retirees continues to drive the rate increases the Michigan School Personnel Retirement System recommends to the legislature for approval. The rate is anticipated to decrease to 16.54% from 16.72% in 07-08.
- * The Meridian Public Schools 2008/2009 adopted budget is as follows:

<u>REVENUE</u>	\$12,139,247
<u>EXPENDITURES</u>	<u>11,963,425</u>
<u>NET (UNDER) BUDGET</u>	<u>\$175,822</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Meridian Public Schools.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$3,692,260
Investments	5,432,154
Accounts Receivable	65,593
Due from Other Governmental Units	2,045,669
Inventory	14,268
Total Current Assets	<u>\$11,249,944</u>
<u>NON-CURRENT ASSETS</u>	
Construction in Progress	11,202,948
Capital Assets	23,833,555
Less: Accumulated Depreciation	(10,642,935)
Total Noncurrent Assets	<u>\$24,393,568</u>
<u>TOTAL ASSETS</u>	<u><u>\$35,643,512</u></u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$19,233
State Aid Note Payable	3,000,000
Due to Other Governmental Units	9,396
Salaries Payable	693,791
Accrued Expenses	577,469
Deferred Revenue	5,188
Current Portion of Long-Term Obligations	710,434
Total Current Liabilities	<u>\$5,015,511</u>
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	<u>23,752,348</u>
<u>TOTAL LIABILITIES</u>	<u>\$28,767,859</u>
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	6,458,543
Restricted for:	
Debt Service	845,423
Unrestricted	(428,313)
Total Net Assets	<u>\$6,875,653</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u><u>\$35,643,512</u></u>

See accompanying notes to the basic financial statements.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$7,769,204	\$0	\$2,093,487	(\$5,675,717)
Support Services	4,671,577	25,328	518	(4,645,731)
Community Services	309,890	282,300	0	(27,590)
Food Service	509,480	216,800	279,096	(13,584)
Athletics	236,782	40,281	0	(196,501)
Interest on Long-Term Obligations	994,774	0	0	(994,774)
Depreciation - Unallocated	449,303	0	0	(449,303)
<u>TOTALS</u>	<u>\$14,941,010</u>	<u>\$564,709</u>	<u>\$2,373,101</u>	<u>(\$12,003,200)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				2,868,802
State Aid				8,419,207
Investment Earnings				837,601
Miscellaneous				224,406
Total General Revenues and Transfers				<u>\$12,350,016</u>
Change in Net Assets				\$346,816
Net Assets - Beginning				<u>6,528,837</u>
<u>Net Assets - Ending</u>				<u>\$6,875,653</u>

See accompanying notes to the basic financial statements.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2008

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$553,524	\$2,563,052	\$575,684	\$3,692,260
Investments	1,622,341	3,764,996	44,817	5,432,154
Accounts Receivable	64,866	0	727	65,593
Due from Other Governmental Units	2,045,669	0	0	2,045,669
Due from Other Funds	258,577	94,291	622,002	974,870
Inventory	0	0	14,268	14,268
<u>TOTAL ASSETS</u>	<u>\$4,544,977</u>	<u>\$6,422,339</u>	<u>\$1,257,498</u>	<u>\$12,224,814</u>
<u>LIABILITIES</u>				
Accounts Payable	\$19,233	\$0	\$0	\$19,233
State Anticipation Note Payable	3,000,000	0	0	3,000,000
Due to Other Governmental Units	9,396	0	0	9,396
Due to Other Funds	566,705	0	408,165	974,870
Salaries Payable	693,791	0	0	693,791
Accrued Expenses	414,820	0	0	414,820
Deferred Revenue	5,188	0	0	5,188
Total Liabilities	\$4,709,133	\$0	\$408,165	\$5,117,298
<u>FUND BALANCES</u>				
Reserved For:				
Inventory	0	0	14,268	14,268
Debt Retirement	0	0	845,423	845,423
Capital Projects	0	6,422,339	0	6,422,339
Unreserved:				
Undesignated, Reported In:				
General Fund	(164,156)	0	0	(164,156)
School Service Funds	0	0	(10,358)	(10,358)
Total Fund Balances	<u>(\$164,156)</u>	<u>\$6,422,339</u>	<u>\$849,333</u>	<u>\$7,107,516</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$4,544,977</u>	<u>\$6,422,339</u>	<u>\$1,257,498</u>	<u>\$12,224,814</u>

See accompanying notes to the basic financial statements.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2008

Total Governmental Fund Balances:		\$7,107,516
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$23,833,555 and the accumulated depreciation is \$10,642,935		13,190,620
Construction in Progress		11,202,948
Accrued Interest on Long-Term Debt		(162,649)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds Payable	\$23,770,303	
Installment Contracts	587,062	
Compensated Absences Payable	105,417	
Total Long-Term Liabilities		<u>(24,462,782)</u>
<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>		<u>\$6,875,653</u>

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>				
Local Sources	\$1,913,014	\$766,630	\$1,816,392	\$4,496,036
State Sources	9,501,559	0	28,199	9,529,758
Federal Sources	330,619	0	250,897	581,516
Total Revenues	<u>\$11,745,192</u>	<u>\$766,630</u>	<u>\$2,095,488</u>	<u>\$14,607,310</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	7,714,681	0	0	7,714,681
Student Services	506,756	0	0	506,756
Instructional Support	206,158	0	0	206,158
General Administration	370,846	0	0	370,846
School Administration	591,647	0	0	591,647
Business Administration	313,772	0	0	313,772
Operation & Maintenance of Plant	1,059,362	0	0	1,059,362
Transportation	1,011,881	0	0	1,011,881
Support Services - Other	342,847	0	0	342,847
Community Services	309,890	0	0	309,890
Food Service and Athletics	0	0	715,900	715,900
Debt Service	0	0	1,458,535	1,458,535
Capital Outlay	0	10,190,582	0	10,190,582
Total Expenditures	<u>\$12,427,840</u>	<u>\$10,190,582</u>	<u>\$2,174,435</u>	<u>\$24,792,857</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(\$682,648)	(\$9,423,952)	(\$78,947)	(\$10,185,547)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from (to) Other Funds	(118,127)	0	118,127	0
Loan and Bond Proceeds	278,232	0	0	278,232
Other Transfers	294,047	0	0	294,047
Total Other Financing Sources (Uses)	<u>\$454,152</u>	<u>\$0</u>	<u>\$118,127</u>	<u>\$572,279</u>
Net Change in Fund Balance	(\$228,496)	(\$9,423,952)	\$39,180	(\$9,613,268)
<u>FUND BALANCE - BEGINNING</u>	<u>64,340</u>	<u>15,846,291</u>	<u>810,153</u>	<u>16,720,784</u>
<u>FUND BALANCE - ENDING</u>	<u>(\$164,156)</u>	<u>\$6,422,339</u>	<u>\$849,333</u>	<u>\$7,107,516</u>

See accompanying notes to the basic financial statements.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Total net change in fund balances - governmental funds	(\$9,613,268)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(547,770)
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Construction in Progress	10,190,582
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Bond and Installment Contract Proceeds	(278,232)
--	-----------

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	540,588
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Change in accrued interest on long-term liabilities	3,761
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Decrease in accrued compensated absences	<u>51,155</u>
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<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u><u>\$346,816</u></u>
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MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
AS OF JUNE 30, 2008

	Trust & Agency
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$73,287</u>
<u>TOTAL ASSETS</u>	<u><u>\$73,287</u></u>
<u>LIABILITIES</u>	
Due to Student Groups	<u>\$73,287</u>
<u>TOTAL LIABILITIES</u>	<u><u>\$73,287</u></u>

See accompanying notes to the basic financial statements.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
<u>REVENUES</u>				
Local Sources	\$1,906,316	\$1,976,764	\$1,913,014	(\$63,750)
State Sources	8,947,604	9,500,925	9,501,559	634
Federal Sources	275,658	326,125	330,619	4,494
Total Revenues	\$11,129,578	\$11,803,814	\$11,745,192	(\$58,622)
<u>EXPENDITURES</u>				
Current:				
Instruction	7,007,555	7,701,354	7,714,681	(13,327)
Student Services	498,353	506,834	506,756	78
Instructional Support	201,863	210,423	206,158	4,265
General Administration	360,937	371,877	370,846	1,031
School Administration	631,516	592,387	591,647	740
Business Administration	247,552	308,479	313,772	(5,293)
Operation & Maintenance of Plant	1,097,682	1,086,271	1,059,362	26,909
Transportation	864,309	945,936	1,011,881	(65,945)
Support Services - Other	272,360	330,463	342,847	(12,384)
Community Services	225,806	304,694	309,890	(5,196)
Total Expenditures	\$11,407,933	\$12,358,718	\$12,427,840	(\$69,122)
Excess of Revenues Over Expenditures	(\$278,355)	(\$554,904)	(\$682,648)	(\$127,744)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers	92,686	315,737	454,152	138,415
Net Change in Fund Balance	(\$185,669)	(\$239,167)	(\$228,496)	\$10,671
<u>FUND BALANCE - BEGINNING</u>			64,340	
<u>FUND BALANCE - ENDING</u>			(\$164,156)	

See accompanying notes to the basic financial statements.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Meridian Public Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with a generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

1968 PA 2 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2008, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

The District ended the year with a deficit in the General Fund.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2008, the District had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF External Investment Pool - MICMS	\$ 74,888	0.0027	AAAm	1.38%
MILAF External Investment Pool - MIMAX	1,619,346	0.0027	AAAm	29.81%
US Government Bonds	3,737,920	0.1373	AAAm	68.81%
Total fair value	<u>\$ 5,432,154</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>0.0953</u>		

1 day maturity equals 0.0027, one year equals 1.00.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2008, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the District's investments are in pooled investment accounts which represents 100% of the District's total investments.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

4) DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$3,049,918 of the District's bank balance of \$3,739,333 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$73,287	\$ 3,765,547
Investments	<u>5,432,154</u>
 <u>TOTAL</u>	 <u>\$ 9,197,701</u>

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 73,287
Cash – District Wide	3,692,260
Investments – District Wide	<u>5,432,154</u>
 <u>TOTAL</u>	 <u>\$ 9,197,701</u>

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2008, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 1,722,900
Federal	<u>322,769</u>
 <u>TOTAL</u>	 <u>\$ 2,045,669</u>

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2008, the School District had \$6,677 in estimated claims in conjunction with the program.

8) SHORT-TERM DEBT

The District borrowed \$3,000,000 at 3.99% interest per annum on October 10, 2007, from Chemical Bank on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The note matures on October 10, 2008.

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
State Aid Note	\$2,250,000	\$3,000,000	\$2,250,000	\$3,000,000

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
GOVERNMENTAL ACTIVITIES				
Buildings and Improvements	\$17,684,611	\$0	\$183,417	\$17,501,194
Land Improvements	953,499	0	0	953,499
Equipment and Furniture	4,218,207	0	222,205	3,996,002
Vehicles	1,317,016	278,172	212,328	1,382,860
Totals at Historical Cost	\$24,173,333	\$278,172	\$617,950	\$23,833,555
Less: Accumulated Depreciation				
Buildings and Improvements	(5,700,534)	(433,180)	(90,933)	(6,042,781)
Land Improvements	(643,441)	(34,040)	0	(677,481)
Equipment and Furniture	(2,913,749)	(188,839)	(67,560)	(3,035,028)
Vehicles	(1,177,219)	(70,520)	(360,094)	(887,645)
Total Accumulated Depreciation	(\$10,434,943)	(\$726,579)	(\$518,587)	(\$10,642,935)
GOVERNMENTAL ACTIVITIES				
<u>CAPITAL ASSETS - NET</u>	<u>\$13,738,390</u>	<u>(\$448,407)</u>	<u>\$99,363</u>	<u>\$13,190,620</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 54,523
Support Services	192,391
Food Service	5,081
Athletics	25,281
Unallocated	449,303
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 726,579</u>

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

10) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2008 were \$114,068.

11) GENERAL LONG-TERM DEBT

A) 2000 General Obligation Bonds Payable

Meridian Public Schools has issued general obligation bonds for the purpose of erecting, furnishing and equipping additions to, and partially remodeling, furnishing and re-furnishing, equipping and re-equipping the Junior High School, and developing and improving the site; acquiring, installing and equipping education technology for the Junior High School; and partially remodeling school buildings. These bonds were authorized on August 21, 2000 in the amount of \$8,330,000 bearing interest at rates varying from 5.20% to 5.25% per annum. At June 30, 2008, the balance was \$780,000.

B) Durant Resolution Package Bonds

Meridian Public Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$423,911 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2008 was \$250,303.

C) 2005 Refunding Bonds

On September 1, 2005, the Meridian Public Schools issued \$6,000,000 in General Obligation – Unlimited Tax Bonds with an average interest ranging from of 3.5% to 3.85%. The District issued the bonds to advance refund \$5,645,000 of the outstanding 2000 Bond Issue with an interest rate of 5.25%. The net proceeds were deposited with an escrow agent and used to purchase U.S. Government Securities. These securities will provide for part of the future debt service on the 2000 Bonds. As a result, a portion of the 2000 Bond Issue are considered defeased and the District has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$5,890,000 at June 30, 2008.

D) 2006 General Obligation Bonds Payable

Meridian Public Schools has issued General Obligation Bonds dated November 1, 2006, in the amount of \$16,900,000, bearing interest at rates varying from 4.00% to 5.00% per annum. The balance of the bonds as of June 30, 2008 was \$16,850,000.

E) Installment Contracts

The District entered into an installment contract with Chemical Bank on November 15, 2005 in the amount of \$45,591 for the purchase of five copiers. The contract requires one annual payment of \$9,591 and four annual payments of \$9,000 plus interest at 4.14% per annum. The contract matures on November 15, 2010. The balance at June 30, 2008 was \$27,000.

The District entered into an installment contract with Chemical Bank on June 16, 2006 in the amount of \$31,714 for the purchase of extreme switches, fiber patches and related equipment. The contract requires one annual payments of \$6,354 and four annual payments of \$6,340 plus interest at 4.94% per annum. The contract matures on March 1, 2011. The balance at June 30, 2008 was \$19,020.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

11) GENERAL LONG-TERM DEBT (Continued)

D) Installment Contracts (Continued)

The District entered into an installment contract with Chemical Bank on June 16, 2006 in the amount of \$56,391 for the purchase of a server, remote monitoring and maintenance equipment, laptop computer and equipment to establish a storage area network. The contract requires one annual payments of \$11,311 and four annual payments of \$11,270 plus interest at 4.94% per annum. The contract matures on March 1, 2011. The balance at June 30, 2008 was \$33,810.

The District entered into an installment contract with Chemical Bank on October 28, 2005 in the amount of \$188,100 for the purchase of two seventy-seven passenger buses and one forty-seven passenger bus. The contract requires one annual payments of \$33,100 and five annual payments of \$31,000 plus interest at 4.14% per annum. The contract matures on October 25, 2011. The balance at June 30, 2008 was \$124,000.

The District entered into an installment contract with Chemical Bank on August 9, 2006 in the amount of \$127,978 for the purchase of two seventy-seven passenger buses. The contract requires one annual payments of \$22,978 and five annual payments of \$21,000 plus interest at 5.04% per annum. The contract matures on August 15, 2012. The balance at June 30, 2008 was \$105,000.

The District entered into an installment contract with Chemical Bank on August 20, 2007 in the amount of \$278,232 for the purchase of four seventy-seven passenger buses. The contract requires one annual payments of \$48,232 and five annual payments of \$46,000 plus interest at 4.39% per annum. The contract matures on August 20, 2013. The balance at June 30, 2008 was \$278,232.

E) Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2008 are as follows:

	Bonds Payable	Installment Contracts	Interest	Total
June 30, 2009	\$583,592	\$126,842	\$1,018,179	\$1,728,613
June 30, 2010	694,714	124,610	986,013	1,805,337
June 30, 2011	805,891	124,610	949,449	1,879,950
June 30, 2012	967,692	98,000	962,395	2,028,087
June 30, 2013	873,414	67,000	878,940	1,819,354
June 30, 2014-2018	4,805,000	46,000	3,809,803	8,660,803
June 30, 2019-2023	5,235,000	0	2,810,034	8,045,034
June 30, 2024-2028	6,025,000	0	1,682,088	7,707,088
June 30, 2029-2032	3,780,000	0	368,550	4,148,550
<u>TOTAL</u>	<u>\$23,770,303</u>	<u>\$587,062</u>	<u>\$13,465,451</u>	<u>\$37,822,816</u>

The payment dates of vacation days payable is undeterminable. The interest expenditures on long-term obligations for the year ended June 30, 2008, were \$1,016,267.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

11) GENERAL LONG-TERM DEBT (Continued)

F) Changes in General Long-Term Debt

<u>Governmental Activities:</u>	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Amount Due in One Year
Bonds Payable	\$24,230,303	\$0	\$460,000	\$23,770,303	\$583,592
Installment Contracts	389,418	278,232	80,588	587,062	126,842
Compensated Absences	29,676	0	18,887	10,789	0
Unpaid Vacation Days	126,896	0	32,268	94,628	0
<u>Total Governmental Activities</u>	<u>\$24,776,293</u>	<u>\$278,232</u>	<u>\$591,743</u>	<u>\$24,462,782</u>	<u>\$710,434</u>

12) INTERFUND ACTIVITY

Interfund balances at June 30, 2008 consisted of the following:

DUE FROM				
DUE TO	General Fund	Debt Retirement	Capital Projects	Total
General Fund	\$0	\$368,667	\$94,291	\$462,958
Food Service	49,925	0	0	49,925
Athletics	55,000	0	0	55,000
Debt Retirement	49,905	0	0	49,905
<u>TOTAL</u>	<u>\$154,830</u>	<u>\$368,667</u>	<u>\$94,291</u>	<u>\$617,788</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

13) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2008, consisted of the following:

TRANSFERS FROM			
TRANSFERS TO	General Fund	Athletics	Total
General Fund	\$0	\$55,000	\$55,000
Athletics	173,127	0	173,127
<u>TOTAL</u>	<u>\$173,127</u>	<u>\$55,000</u>	<u>\$228,127</u>

These transfers were made to subsidize the cost of services for athletics.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

14) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 17.74 percent for the period July 1, 2007 through September 30, 2007 and 16.72 percent for the period October 1, 2007 through June 30, 2008 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS pension plan for the years ended June 30, 2008, 2007 and 2006 were \$1,245,942, \$1,266,632 and \$1,057,816, respectively.

Postemployment Benefits

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS pension plan discussed above.

15) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

16) CONTINGENCIES AND COMMITMENTS

The district participates in a number of federally assisted grant programs. These programs are subject to program compliance audits. The audits of these programs for and including the year ended June 30, 2008, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time; although the district expects such amounts, if any, to be immaterial.

OTHER SUPPLEMENTAL
INFORMATION

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2008

	Special Revenue Funds	Debt Service Funds	Total Other Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$93,840	\$481,844	\$575,684
Investments	0	44,817	44,817
Accounts Receivable	727	0	727
Due from Other Funds	253,335	368,667	622,002
Inventory	14,268	0	14,268
<u>TOTAL ASSETS</u>	<u>\$362,170</u>	<u>\$895,328</u>	<u>\$1,257,498</u>
<u>LIABILITIES</u>			
Due to Other Funds	\$358,260	\$49,905	\$408,165
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	14,268	0	14,268
Debt Retirement	0	845,423	845,423
Unreserved:			
Undesignated, Reported In:			
School Service Fund	(10,358)	0	(10,358)
Total Fund Balances	<u>\$3,910</u>	<u>\$845,423</u>	<u>\$849,333</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$362,170</u>	<u>\$895,328</u>	<u>\$1,257,498</u>

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue Funds	Debt Service Funds	Total Other Governmental Funds
<u>REVENUES</u>			
Local Sources	\$263,813	\$1,552,579	\$1,816,392
State Sources	28,199	0	28,199
Federal Sources	250,897	0	250,897
Total Revenues	<u>\$542,909</u>	<u>\$1,552,579</u>	<u>\$2,095,488</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from Other Funds	118,127	0	118,127
<u>EXPENDITURES</u>			
Food Service and Athletics	715,900	0	715,900
Debt Service	0	1,458,535	1,458,535
Total Expenditures	<u>\$715,900</u>	<u>\$1,458,535</u>	<u>\$2,174,435</u>
Net Change in Fund Balance	(\$54,864)	\$94,044	\$39,180
<u>NET ASSETS - BEGINNING</u>	<u>58,774</u>	<u>751,379</u>	<u>810,153</u>
<u>NET ASSETS - ENDING</u>	<u>\$3,910</u>	<u>\$845,423</u>	<u>\$849,333</u>

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
SPECIAL REVENUE FUND
COMBINING BALANCE SHEET
AS OF JUNE 30, 2008

	<u>Food Services</u>	<u>Athletics</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$36,281	\$57,559	\$93,840
Accounts Receivable	727	0	727
Due from Other Funds	253,335	0	253,335
Inventory	<u>14,268</u>	<u>0</u>	<u>14,268</u>
<u>TOTAL ASSETS</u>	<u>\$304,611</u>	<u>\$57,559</u>	<u>\$362,170</u>
<u>LIABILITIES</u>			
Due to Other Funds	\$303,260	\$55,000	\$358,260
<u>FUND EQUITY</u>			
Fund Balance - Reserved for Inventory	14,268	0	14,268
Fund Balance - Unreserved and Undesignated	<u>(12,917)</u>	<u>2,559</u>	<u>(10,358)</u>
Total Fund Equity	<u>\$1,351</u>	<u>\$2,559</u>	<u>\$3,910</u>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$304,611</u>	<u>\$57,559</u>	<u>\$362,170</u>

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
SPECIAL REVENUE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Food Services</u>	<u>Athletics</u>	<u>Totals</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Cafeteria Sales	\$216,800	\$0	\$216,800
Athletic Activities	0	40,281	40,281
Earnings on Investments and Deposits	126	200	326
Other Local Revenues	6,406	0	6,406
Total Local Sources	<u>\$223,332</u>	<u>\$40,481</u>	<u>\$263,813</u>
<u>State Sources</u>			
State Reimbursements	28,199	0	28,199
<u>Federal Sources</u>			
Commodities	25,760	0	25,760
Federal Reimbursements	225,137	0	225,137
Total Federal Sources	<u>\$250,897</u>	<u>\$0</u>	<u>\$250,897</u>
Total Revenues	<u>\$502,428</u>	<u>\$40,481</u>	<u>\$542,909</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	0	173,127	173,127
Total Revenues and Other Financing Sources	<u>\$502,428</u>	<u>\$213,608</u>	<u>\$716,036</u>
<u>EXPENDITURES</u>			
Salaries - Professional	0	34,950	34,950
Salaries - Non-Professional	184,492	83,530	268,022
Insurance	24,074	1,742	25,816
Fica, Retirement, Etc.	56,150	29,064	85,214
Purchased Services	12,632	40,691	53,323
Supplies and Materials	223,857	11,335	235,192
Capital Outlay	475	0	475
Other	2,719	10,189	12,908
Total Expenditures	<u>\$504,399</u>	<u>\$211,501</u>	<u>\$715,900</u>
<u>OTHER FINANCING USES</u>			
Transfer to General Fund	0	55,000	55,000
Total Expenditures and Other Financing Uses	<u>\$504,399</u>	<u>\$266,501</u>	<u>\$770,900</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	<u>(\$1,971)</u>	<u>(\$52,893)</u>	<u>(\$54,864)</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$3,322</u>	<u>\$55,452</u>	<u>\$58,774</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$1,351</u>	<u>\$2,559</u>	<u>\$3,910</u>

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
DEBT RETIREMENT FUND
COMBINING BALANCE SHEET
AS OF JUNE 30, 2008

	Debt Fund 2000	Debt Fund 2005	Debt Fund 2006	Total
<u>ASSETS</u>				
Cash and Cash Equivalents	\$181,422	\$0	\$300,422	\$481,844
Investments	16,838	0	27,979	44,817
Due from Other Funds	102,217	0	266,450	368,667
<u>TOTAL ASSETS</u>	<u>\$300,477</u>	<u>\$0</u>	<u>\$594,851</u>	<u>\$895,328</u>
<u>LIABILITIES</u>				
Due to Other Funds	\$0	\$0	\$49,905	\$49,905
<u>FUND EQUITY</u>				
Fund Balance - Reserved - Debt Retirement	300,477	0	544,946	845,423
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$300,477</u>	<u>\$0</u>	<u>\$594,851</u>	<u>\$895,328</u>

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
DEBT RETIREMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2008

	Debt Fund 2000	Debt Fund 2005	Debt Fund 2006	Total After Interfund Eliminations
<u>REVENUES</u>				
<u>Local Sources</u>				
Property Tax Levy	\$782,750	\$0	\$752,530	\$1,535,280
Earnings on Investments and Deposits	5,075	0	8,417	13,492
Other Local Revenues	3,807	0	0	3,807
Total Local Sources	<u>\$791,632</u>	<u>\$0</u>	<u>\$760,947</u>	<u>\$1,552,579</u>
<u>OTHER FINANCING SOURCES</u>				
Transfer from Other Debt Funds	<u>0</u>	<u>268,042</u>	<u>0</u>	<u>0</u>
Total Revenues and Other Financing Sources	<u>\$791,632</u>	<u>\$268,042</u>	<u>\$760,947</u>	<u>\$1,552,579</u>
<u>EXPENDITURES</u>				
Redemption of Bond Principal	355,000	55,000	50,000	460,000
Interest on Bonded Debt	58,988	216,698	722,250	997,936
Other	599	0	0	599
Total Expenditures	<u>\$414,587</u>	<u>\$271,698</u>	<u>\$772,250</u>	<u>\$1,458,535</u>
<u>OTHER FINANCING USES</u>				
Transfer to Other Debt Funds	<u>268,042</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures and Other Financing Uses	<u>\$682,629</u>	<u>\$271,698</u>	<u>\$772,250</u>	<u>\$1,458,535</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	<u>\$109,003</u>	<u>(\$3,656)</u>	<u>(\$11,303)</u>	<u>\$94,044</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$191,474</u>	<u>\$3,656</u>	<u>\$556,249</u>	<u>\$751,379</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$300,477</u>	<u>\$0</u>	<u>\$544,946</u>	<u>\$845,423</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2008

REVENUES FROM
Local Sources

Property Tax Levy	\$1,333,522
Earnings on Investments and Deposits	57,153
Transportation	3,675
Rentals	21,653
Child Care	282,300
Donations	22,598
Medbill	518
Other Local Revenues	191,595
Total Revenues from Local Sources	<u>\$1,913,014</u>

State Sources

State Aid	8,419,207
Special Education	762,305
Early Childhood	78,200
Other State Grants	630
State Aid - At Risk	241,217
Total Revenues from State Sources	<u>\$9,501,559</u>

Federal Sources

Title I	223,836
Technology Literacy Grant	426
Special Education	4,500
Other Federal Grants	3,451
Improving Teacher Quality	94,994
Drug Free Schools	3,412
Total Revenues from Federal Sources	<u>\$330,619</u>
Total Revenues	<u>\$11,745,192</u>

OTHER FINANCING SOURCES

Transfers from Other Funds	55,000
Loan Proceeds	278,232
County Special Education Tax	680,516
Total Other Financing Sources	<u>\$1,013,748</u>

TOTAL REVENUES AND OTHER FINANCING
SOURCES

\$12,758,940

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2008

INSTRUCTION

BASIC PROGRAMS

Elementary

Salaries - Professional	\$1,208,314
Salaries - Non-Professional	10,881
Insurances	201,702
Fica, Retirement, Etc.	298,923
Other Benefits	68,252
Purchased Services	35,317
Supplies and Materials	34,791
Capital Outlay	37,681
Total Meridian Elementary	<u>\$1,895,861</u>

Junior High

Salaries - Professional	1,232,983
Salaries - Non-Professional	1,627
Insurances	216,138
Fica, Retirement, Etc.	304,222
Other Benefits	26,583
Purchased Services	46,535
Supplies and Materials	19,446
Total Junior High	<u>\$1,847,534</u>

High School

Salaries - Professional	1,285,126
Salaries - Non-Professional	8,270
Insurances	191,577
Fica, Retirement, Etc.	406,731
Purchased Services	16,446
Supplies and Materials	75,694
Total High School	<u>\$1,983,844</u>

Preschool

Salaries - Professional	73,972
Salaries - Non-Professional	71,832
Insurance	10,281
Fica, Retirement, Etc.	36,359
Purchased Services	37,557
Supplies and Materials	16,329
Capital Outlay	542
Total Preschool	<u>\$246,872</u>

Adult Education

Salaries - Professional	158
Salaries - Non-Professional	4,962
Insurance	22,907
Fica, Retirement, Etc.	2,603
Purchased Services	1,379
Total Adult Education	<u>32,009</u>

Total Basic Programs	\$6,006,120
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MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2008

<u>INSTRUCTION (Continued)</u>	
<u>ADDED NEEDS</u>	
<u>SPECIAL EDUCATION</u>	
Salaries - Professional	\$706,545
Salaries - Non-Professional	148,954
Insurances	96,729
Fica, Retirement, Etc.	214,440
Purchased Services	12,492
Supplies and Materials	5,689
Total Special Education	<u>\$1,184,849</u>
<u>COMPENSATORY EDUCATION</u>	
Salaries - Professional	211,727
Salaries - Non-Professional	87,882
Insurances	31,917
Fica, Retirement, Etc.	63,970
Supplies and Materials	1,084
Total Compensatory Education	<u>\$396,580</u>
<u>VOCATIONAL EDUCATION</u>	
Purchased Services	<u>127,132</u>
Total Added Needs	<u>\$1,708,561</u>
Total Instruction	\$7,714,681
<u>SUPPORT SERVICES</u>	
<u>STUDENT SERVICES</u>	
Salaries - Professional	211,685
Salaries - Non-Professional	33,634
Insurances	27,782
Fica, Retirement, Etc.	50,499
Purchased Services	177,763
Supplies and Materials	2,083
Other	3,310
Total Student Services	<u>\$506,756</u>
<u>INSTRUCTIONAL STAFF</u>	
Salaries - Professional	141,272
Insurances	16,337
Fica, Retirement, Etc.	34,412
Purchased Services	7,208
Supplies and Materials	6,371
Other	558
Total Instructional Staff	<u>\$206,158</u>

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGANGENERAL FUNDSCHEDULE OF EXPENDITURES AND OTHER FINANCING USESFOR THE YEAR ENDED JUNE 30, 2008SUPPORT SERVICES (Continued)GENERAL ADMINISTRATION

Salaries - Professional	\$140,108
Salaries - Non-Professional	48,500
Insurances	35,624
Fica, Retirement, Etc.	43,298
Purchased Services	91,169
Supplies and Materials	5,273
Other	6,874
Total General Administration	<u>\$370,846</u>

OFFICE OF THE PRINCIPAL

Salaries - Professional	240,718
Salaries - Non-Professional	136,482
Insurances	107,880
Fica, Retirement, Etc.	93,353
Purchased Services	6,341
Supplies and Materials	2,107
Other	4,766
Total Office of the Principal	<u>\$591,647</u>

BUSINESS OFFICE

Salaries - Non-Professional	58,501
Insurances	14,153
Fica, Retirement, Etc.	12,632
Other Benefits	(343)
Purchased Services	34,452
Supplies and Materials	2,839
Other	191,538
Total Business Office	<u>\$313,772</u>

OPERATION & MAINTENANCE

Salaries - Non-Professional	444,877
Insurances	153,558
Fica, Retirement, Etc.	117,477
Other Benefits	561
Purchased Services	284,146
Supplies and Materials	58,619
Other	124
Total Operation & Maintenance	<u>\$1,059,362</u>

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGANGENERAL FUNDSCHEDULE OF EXPENDITURES AND OTHER FINANCING USESFOR THE YEAR ENDED JUNE 30, 2008SUPPORT SERVICES (Continued)TRANSPORTATION

Salaries - Professional	\$39,630
Salaries - Non-Professional	340,145
Insurances	25,678
Fica, Retirement, Etc.	109,314
Other Benefits	75
Purchased Services	5,598
Supplies and Materials	142,393
Capital Outlay	278,232
Other	70,816
Total Transportation	<u>\$1,011,881</u>

OTHER SUPPORT SERVICES

Salaries - Professional	6,394
Salaries - Non-Professional	109,767
Insurances	43,503
Fica, Retirement, Etc.	32,376
Other Benefits	120
Purchased Services	129,078
Supplies and Materials	468
Other	21,141
Total Other Support Services	<u>\$342,847</u>

Total Support Services	\$4,403,269
------------------------	-------------

COMMUNITY SERVICES

Salaries - Professional	21,325
Salaries - Non-Professional	209,954
Insurances	9,116
Fica, Retirement, Etc.	55,212
Purchased Services	3,700
Supplies and Materials	10,375
Other	208
Total Community Services	<u>\$309,890</u>

<u>TOTAL EXPENDITURES</u>	\$12,427,840
---------------------------	--------------

OTHER FINANCING USES

Transfers to Other Funds	173,127
Loan Payments	10,512
Transfers to Other Districts	375,957
Total Other Financing Uses	<u>\$559,596</u>

<u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	<u>\$12,987,436</u>
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MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008

	Due to (From) Student Groups July 1, 2007	Receipts	Disbursements	Due to (From) Student Groups June 30, 2008
<u>HIGH SCHOOL</u>				
Art Club	\$260	\$0	\$0	\$260
Art Fees	471	0	0	471
Band General Account	1,209	5,420	5,671	958
Band Trip	2,381	3,875	4,769	1,487
Band Uniforms	518	1,190	720	988
Baseball	1,615	4,374	4,310	1,679
Basketball	4,671	8,251	8,159	4,763
Book Fees	1,007	242	558	691
Cheerleaders	4,761	2,375	4,090	3,046
Cheer Spirit	268	2,090	985	1,373
Choral Club	121	0	0	121
Class of 2006	101	0	0	101
Class of 2007	640	0	300	340
Class of 2008	2,889	2,159	4,548	500
Class of 2009	240	9,434	8,991	683
Class of 2010	537	2,240	2,271	506
Class of 2011	215	767	165	817
Co-Op Student Activities	335	0	0	335
Drama	7,606	2,929	849	9,686
Enrichment Donations	1,786	0	400	1,386
Football	1,444	2,795	3,510	729
General	5,185	11,126	13,900	2,411
Gift Wrapping	23	5,974	5,959	38
Junior Achievement	584	0	0	584
Language	540	0	0	540
Library Fees	51	106	0	157
Meijer Community Awards	2,108	25	0	2,133
National Honor Society	3,525	4,161	3,131	4,555
Pep Club	54	0	0	54
Reserve for Stale Dated Cks	0	112	0	112
Relay for Life	0	1,873	1,873	0
S.A.D.D.	1,915	1,585	1,075	2,425
Shop Fees	3,234	1,912	2,635	2,511
Softball	2,501	0	240	2,261
Student Council	2,265	4,515	3,697	3,083
Teach for Tomorrow	3,210	400	3,550	60
Track - Girls	713	4,077	4,644	146
Track - Boys	0	1,024	0	1,024
Volleyball	137	1,221	1,228	130
Wrestling Cookie Jar	5,454	6,724	9,079	3,099
Yearbook	1,457	29,166	28,112	2,511
Total High School	\$66,031	\$122,142	\$129,419	\$58,754
Junior High School	1,273	31,201	25,475	6,999
Meridian Elementary	5,540	8,628	8,281	5,887
Meridian Elementary Student Council	2,803	24,874	26,079	1,598
Meridian School Day Care	79	363	393	49
<u>TOTALS</u>	<u>\$75,726</u>	<u>\$187,208</u>	<u>\$189,647</u>	<u>\$73,287</u>

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2008

1998 DURANT RESOLUTION PACKAGE BONDS

Date of Issue - November 24, 1998

Original amount of issue - \$423,911

	PRINCIPAL REQUIREMENT	INTEREST RATE	INTEREST REQUIREMENT	TOTAL FISCAL YEAR REQUIREMENTS
<u>PAYMENT DATE - MAY 15TH</u>				
2009	\$23,592	4.761353%	\$6,177	\$29,769
2010	24,714	4.761353%	5,054	29,768
2011	25,891	4.761353%	3,877	29,768
2012	147,692	4.761353%	52,315	200,007
2013	28,414	4.761353%	1,353	29,767
<u>TOTAL</u>	<u>\$250,303</u>		<u>\$68,776</u>	<u>\$319,079</u>

GENERAL OBLIGATION - 2000 SCHOOL BUILDING AND SITE BONDS

Date Authorized : August 21, 2000

Amount Authorized: \$8,330,000

<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>TOTAL</u>
2008-2009	5.25%	\$380,000	\$20,175	\$20,175	\$420,350
2009-2010	5.10%	400,000	10,200	10,200	420,400
<u>TOTAL</u>		<u>\$780,000</u>	<u>\$30,375</u>	<u>\$30,375</u>	<u>\$840,750</u>

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2008

GENERAL OBLIGATION - 2005 REFUNDING BONDS

Date Authorized: September 1, 2005 Amount Authorized: \$6,000,000

<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>TOTAL</u>
2008-2009	3.50%	\$55,000	\$107,386	\$107,386	\$269,772
2009-2010	3.50%	55,000	106,424	106,424	267,848
2010-2011	3.50%	480,000	105,461	105,461	690,922
2011-2012	3.50%	500,000	97,061	97,061	694,122
2012-2013	3.50%	520,000	88,311	88,311	696,622
2013-2014	3.50%	545,000	79,211	79,211	703,422
2014-2015	3.60%	560,000	69,674	69,674	699,348
2015-2016	3.65%	585,000	59,594	59,594	704,188
2016-2017	3.70%	610,000	48,918	48,918	707,836
2017-2018	3.75%	635,000	37,633	37,632	710,265
2018-2019	3.80%	660,000	25,726	25,726	711,452
2019-2020	3.85%	685,000	13,186	13,186	711,372
<u>TOTAL</u>		<u>\$5,890,000</u>	<u>\$838,585</u>	<u>\$838,584</u>	<u>\$7,567,169</u>

GENERAL OBLIGATION - 2006 SCHOOL BUILDING AND SITE BONDS

Date Authorized: November 1, 2006 Amount Authorized: \$16,900,000

2008-2009	4.000%	\$125,000	\$360,386	\$360,387	\$845,773
2009-2010	4.000%	215,000	357,886	357,886	930,772
2010-2011	4.000%	300,000	353,587	353,586	1,007,173
2011-2012	4.000%	320,000	347,586	347,586	1,015,172
2012-2013	4.000%	325,000	341,186	341,186	1,007,372
2013-2014	4.000%	335,000	334,687	334,686	1,004,373
2014-2015	4.000%	360,000	327,986	327,986	1,015,972
2015-2016	4.000%	375,000	320,786	320,787	1,016,573
2016-2017	4.000%	390,000	313,286	313,286	1,016,572
2017-2018	4.000%	410,000	305,486	305,486	1,020,972
2018-2019	4.000%	430,000	297,286	297,286	1,024,572
2019-2020	4.000%	455,000	288,686	288,686	1,032,372
2020-2021	4.000%	950,000	279,586	279,586	1,509,172
2021-2022	4.125%	1,000,000	260,586	260,586	1,521,172
2022-2023	4.200%	1,055,000	239,961	239,961	1,534,922
2023-2024	4.250%	1,110,000	217,806	217,806	1,545,612
2024-2025	4.250%	1,170,000	194,219	194,219	1,558,438
2025-2026	4.250%	1,235,000	169,356	169,356	1,573,712
2026-2027	4.250%	1,250,000	143,113	143,113	1,536,226
2028-2029	4.250%	1,260,000	116,550	116,550	1,493,100
2029-2030	4.250%	1,260,000	89,775	89,775	1,439,550
2030-2031	5.000%	1,260,000	63,000	63,000	1,386,000
2031-2032	5.000%	1,260,000	31,500	31,500	1,323,000
<u>TOTAL</u>		<u>\$16,850,000</u>	<u>\$5,754,286</u>	<u>\$5,754,286</u>	<u>\$28,358,572</u>

MERIDIAN PUBLIC SCHOOLS

SANFORD, MICHIGAN

FEDERAL AWARDS
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2008

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Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

September 15, 2008

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Meridian Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Meridian Public Schools, as of and for the year ended June 30, 2008, which collectively comprise the Meridian Public Schools' basic financial statements and have issued our report thereon dated , 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Meridian Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Meridian Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Meridian Public Schools' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Meridian Public Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Meridian Public Schools' financial statements that is more than inconsequential will not be prevented or detected by the Meridian Public Schools' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Durand Area Schools' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not disclose all significant deficiencies that are also considered to be material weaknesses.



Meridian Public Schools

Page 2

September 15, 2008

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Meridian Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Meridian Public Schools' response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Meridian Public Schools' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the finance committee, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf P.C.
LEWIS & KNOPE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPAs, P.C.

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September 15, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Education of
Meridian Public Schools

Compliance

We have audited the compliance of Meridian Public Schools with the types of compliance requirements described in *the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Meridian Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Meridian Public Schools' management. Our responsibility is to express an opinion on Meridian Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Meridian Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Meridian Public Schools' compliance with those requirements.

In our opinion, Meridian Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Meridian Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Meridian Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Meridian Public Schools' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.



Meridian Public Schools
Page 2
September 15, 2008

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Meridian Public Schools, as of and for the year ended June 30, 2008, and have issued our report thereon dated September 15, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Meridian Public Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf PC
LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Michigan Department of Education:			
Title I Grants to Local Educational Agencies:	84.010		
ESEA Title I - (07-08)		81530-0708	\$222,836
Special Education	84.027A		
Service Provider Self Review		70440-0607	4,500
Innovative Education Program Strategies	84.298		
Title V (07-08)		80250-0708	297
Technology Literacy Challenge Grants	84.318		
Title II D - Ed Tech - Formula Grants (07-08)		84290-0708	2,104
Improving Teacher Quality	84.367		
Title IIA (06-07)		70520-0607	97,832
Title IIA (07-08)		80520-0708	98,507
Total Improving Teacher Quality			<u>\$196,339</u>
Total Passed Through Michigan Department of Education			<u>\$426,076</u>
Passed Through Delta College			
Tech Prep	84.243A	43540-401408	495
Passed Through Midland County Educational Service Agency			
Transition Services	84.027	Unknown	2,956
Safe and Drug-Free Schools and Communities - State Grants	84.186		
Safe and Drug-Free Schools (07-08)		Unknown	3,412
Total Passed Through Midland County Educational Service Agency			<u>\$6,368</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			<u>\$432,939</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Michigan Department of Education:			
Food Distribution:	10.550		
Entitlement Commodities		N/A	25,575
Bonus Commodities		N/A	185
Total Food Distribution			<u>\$25,760</u>
School Breakfast Program	10.553	N/A	44,654
National School Lunch Program	10.555	N/A	<u>180,483</u>
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>			<u>\$250,897</u>
<u>TOTAL FEDERAL AWARDS</u>			<u><u>\$683,836</u></u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2007	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2008
\$0	\$0	\$223,836	\$0	\$0	\$223,836
0	0	4,500	0	4,500	0
0	0	0	0	0	0
0	0	426	0	0	426
3,513	101,345	0	(3,513)	0	0
0	0	98,507	0	0	98,507
<u>\$3,513</u>	<u>\$101,345</u>	<u>\$98,507</u>	<u>(\$3,513)</u>	<u>\$0</u>	<u>\$98,507</u>
\$3,513	\$101,345	\$327,269	(\$3,513)	\$4,500	\$322,769
0	0	495	0	495	0
0	0	2,956	0	2,956	0
0	0	3,412	0	3,412	0
<u>\$0</u>	<u>\$0</u>	<u>\$6,368</u>	<u>\$0</u>	<u>\$6,368</u>	<u>\$0</u>
\$3,513	\$101,345	\$334,132	(\$3,513)	\$11,363	\$322,769
0	0	25,575	0	25,575	0
0	0	185	0	185	0
<u>\$0</u>	<u>\$0</u>	<u>\$25,760</u>	<u>\$0</u>	<u>\$25,760</u>	<u>\$0</u>
0	0	44,654	0	44,654	0
0	0	180,483	0	180,483	0
<u>\$0</u>	<u>\$0</u>	<u>\$250,897</u>	<u>\$0</u>	<u>\$250,897</u>	<u>\$0</u>
<u>\$3,513</u>	<u>\$101,345</u>	<u>\$585,029</u>	<u>(\$3,513)</u>	<u>\$262,260</u>	<u>\$322,769</u>

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL REVENUE RECOGNIZED FOR SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

\$585,029

Less: Adjustment

(\$3,513)

TOTAL

\$581,516

FEDERAL REVENUE RECOGNIZED PER THE GENERAL
PURPOSE FINANCIAL STATEMENTS PURPOSE

General Fund

\$330,619

School Service Fund

250,897

TOTAL

\$581,516

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 7 of this report.
- 3) As of the date of completion of fieldwork, the Schedule of Transfers to Sub-Recipients from the Intermediate School Districts was not available. The amounts shown on the Schedule of Federal Financial Assistance as flow through from the Intermediate School Districts may not be conclusive.
- 4) An adjustment of \$3,513 was made to the Title IIA 06-07 (CFDA 84.367) grant to correct prior year receivable.

MERIDIAN PUBLIC SCHOOLS - SANFORD, MICHIGAN
RECONCILIATION OF FORM R 7120 " GRANT SECTION AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Current Payments Per the Grant Section Auditor's Report		
(Form R 7120)		\$225,137
Cash Management System		4,500
Total		<u>\$229,637</u>
<u>Add:</u> Grants Passed Through Other Governmental Units:		
Delta College		
Tech Prep (84.243A)		495
Midland County Educational Service Agency		
Transition Services (CFDA 84.027)	\$2,956	
Drug-Free Schools (CFDA 84.186)	<u>3,412</u>	
Total Midland County Educational Service Agency		6,368
Entitlement and Bonus Commodities (CFDA 10.550)		<u>25,760</u>
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES</u>		
<u>OF FEDERAL AWARDS</u>		<u><u>\$262,260</u></u>

MERIDIAN PUBLIC SCHOOLS- SANFORD, MICHIGAN
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Is a “going concern” explanatory paragraph included in the audit report? ☐ Yes ☒ No
- Is a significant deficiency disclosed? ☐ Yes ☒ No
- Is any Significant deficiency reported as a material weaknesses? ☐ Yes ☒ None reported
- Is a material noncompliance disclosed? ☐ Yes ☒ No

Federal Awards

- Dollar threshold use to distinguish between type A and type B programs: \$ 300,000.00
- Did the auditee qualify as a low-risk auditee? ☐ Yes ☒ No
- Is a significant deficiency disclosed for any major program? ☐ Yes ☒ No
- Is any significant deficiency reported for any major program as a material weakness? ☐ Yes ☒ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)
84.010
10.553/10.555

Name of Federal Program or Cluster
Title I Grants to Local Educational Agencies
Nutrition Cluster

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no current year findings.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no current year findings.

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STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Finding 2007-1 - Finding Considered a Material Weakness

General Ledger Maintenance and Timely Bank Reconciliations

An integral part of the District's internal accounting control system is the timely reconciliation of general ledger account balances, including cash, to supporting documentation on a timely basis during the year.

* Timely Bank Reconciliations

The general ledger cash accounts were not reconciled timely to the Schools bank accounts for all cash accounts during the fiscal year ending June 30, 2007. Proper bank reconciliations are a key to maintaining adequate control over both cash receipts and disbursements. If bank reconciliations are to serve as an effective control over the cash accounts, they must be prepared on a timely basis and all reconciling items should be investigated and disposed of properly.

Status

Bank reconciliation were done on a timely basis.

* Interfund Transactions and Journal Entries

During the year accounting transactions and journal entries were posted across funds without proper recognition in all affected funds. This accounting resulted in individual funds being out of balance and corresponding due to and from other fund account balances not being properly reconciled. Out of balance journal entry transactions also hindered the proper reconciliations.

Status

Interfund transaction and journal entries were properly posted.